The CREDIT WORLD

PLAYING FAVORITES

CAN DEAD CUSTOMERS BE BROUGHT BACK TO LIFE?

FLOOD CONTROL (OF CREDIT)

NATIONAL CONVENTION OF RETAIL CREDIT MEN-- St. Louis, June 16-19

JULY-DEC., 1930 RETAIL CREDIT FACTS

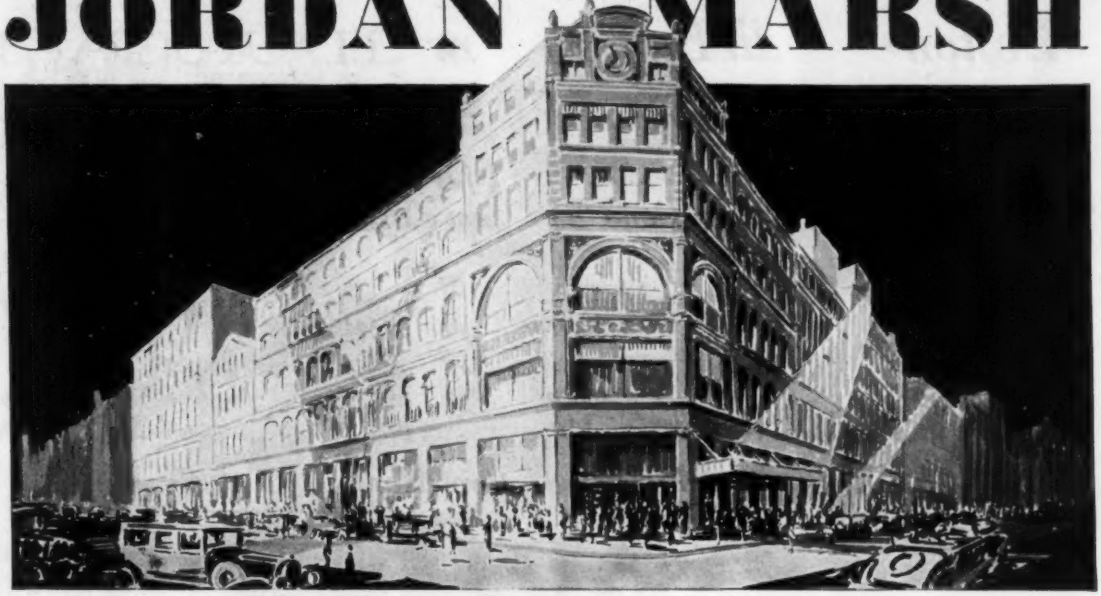
A CURRENT MAP OF CREDIT SALES AND COLLECTIONS

IS DEFERRED PAYMENT EXPANSION EFFECTING OPEN CREDIT COLLECTIONS?

DOES LIBERAL CREDIT CHEAPEN CREDIT?

APRIL, 1931

JORDAN MARSH



The Jordan Marsh Company of Boston, one of America's leading retail institutions

Installs 206

Pneumatic Tube Stations

Another prominent Hahn store returns *to Centralization after long experience with local cashiering methods*

One of America's pre-eminent department stores . . . the Jordan Marsh Company of Boston . . . has just completed the severest test ever devised for a store cash and charge system. Nothing was taken for granted. Experiences with local cashiering methods were pitted, dollar for dollar, service for service . . . against experiences with pneumatic tubes.

The Lamson Pneu-Mode terminal is designed especially for stores which insist that their fixtures be distinctive. Modern both in color and line, the Pneu-Mode blends perfectly with and actually enhances the beauty of fine store interiors.

More eloquent than hours of sales talk is the announcement that Jordan Marsh is now returning to centralization by means of Lamson Pneumatic Tubes.

After years of handling cash and charges centrally, this organization tried local cashiering methods for cash, and local telephones for charges. Later, realizing the need for economy, reduction of losses and improved service, they analyzed the results obtained by both methods. They determined that pneumatic tubes were their answer to the problem of obtaining speed with safety, with low first cost and operating expense.

It is significant that 24 stores of the Hahn organization, of which Jordan Marsh is a unit, now use Lamson Systems—a total of 1624 stations.

In your store, too, a Lamson System will reduce selling costs, stop losses and increase your profits. The Lamson man will be glad to compute potential savings for you. The Lamson Company, Syracuse, New York.

LAMSON

The **CREDIT WORLD**

Official Magazine of the NATIONAL RETAIL CREDIT ASSOCIATION

April, 1931 **Vol. XIX** **No. 8**

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CHANGE OF ADDRESS: A request for change of address must reach us at least one month before date of the issue with which it is to take effect. Duplicate copies cannot be sent without charge to replace those undelivered through failure to send this advance notice. With your new address it is absolutely essential that you also send us your old one. Entered as second-class matter at the post office at St. Louis, Mo., under the Act of March 3, 1879. Published monthly at 1218 Olive Street, St. Louis, Mo. Subscription, $2.00.

EDITORIAL OFFICE ..... 1218 Olive Street, St. Louis, Mo.

A Book Worth Having

"Letters That Collect"

Mr. Frank R. Otte, contributor to this issue of THE CREDIT WORLD, is co-author with John Whyte of a new book, "Letters That Collect," published by Prentice Hall. It is a book with which credit and collection managers can better maintain a healthy ratio between collections and sales. Everything in it is based upon the latest practices of credit men throughout the country.

Among its 500 letters, forms, stunts and devices are:

Letters to "easy-going" customers who overlook accounts because of carelessness or poor business methods.

Letters to people who disregard due dates because of the small amount involved.

Letters to "hard-boiled" customers.

Letters to good customers who are temporarily slow.

Letters that show the advantage of getting on a discount basis.

Letters that prevent a debtor from taking an unearned discount.

Letters to customers who think they can abuse time extensions.

Letters that collect by using a seasonal appeal, such as Christmas, income-tax time, midsummer, spring and fall.

Letters that do not stop with a payment, but which produce orders for new products, or for more merchandise.

Letters that contain veiled threats, as well as letters that make threats in no unmistakable words—and produce money.

Letters that collect installment accounts from those who have a small unpaid balance, as well as from those who are well in arrears.

Letters which produce a high percentage of payment from women.

Letters that play on the heartstrings of customers and make them open their purse-strings.

Letters that show both sides of the collection story. Here are shown letters sent by creditors, and the replies sent by debtors.

200 Credit Managers Have Exchanged Their Collection Percentages for Carton of Busch Extra Dry Ginger Ale

ORIGIN OF THE 200 COLLECTION REPORTS

Report on Collection Percentages Received

The National Retail Credit Association through the co-operation of its many affiliates has been able to collect collection data over a period of one year. This information, taken from eight groups which have submitted two hundred separate replies as to collection progress in their respective businesses gives a further enlightenment to the retail credit situation and augments the semi-annual surveys completed under the auspices of the United States Department of Commerce.

Number of Replies	Class of Retailer	Median Average*	Rank
13	Materials and Hardware	89.00%	1
16	Furniture and Stationery	78.25%	2
2	Florists	67.05%	3
14	Grocers	62.33%	4
21	Department Stores	46.10%	5
9	Furnishings	45.96%	6
1	Ice and Fuel	44.70%	7
124	Clothing	41.50%	8

*This represents the mathematical average of all monthly collection percentages submitted in the Anheuser-Busch Ginger Ale contest during the past year.

THE CREDIT WAY
SPOKANE IN MAY

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Spokane to Hold Retail Credit Conference of the Pacific Northwest

May 18th and 19th

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The Annual Convention of the Retail Credit Associations of the Pacific Northwest will be held in Spokane, May 18th and 19th. Committees have been appointed and are working feverishly to make this the outstanding conference in the history of the Pacific Northwest. The business sessions will be held in the Davenport Hotel, which is the birthplace of not only the National but of the Pacific Northwest conference which started in 1929.

Delegates from Oregon, Idaho, Montana, British Columbia and Washington will attend this conference. Many of these associations have appointed their On-to-Spokane Committees at the present time and report lots of enthusiasm for this conference. One of the features of the program will be a debate between Portland and Tacoma on a subject which will be interesting to all credit granters. The Spokane Credit Women's Breakfast Club will also have a large part in the convention.

A. D. McMullen, President, and R. E. Westberg, Director, of the National Retail Credit Association, will be present.

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THE CREDIT WAY
SPOKANE IN MAY

D. M. Ruffner

Assistant Credit Manager of "The Crescent," Spokane, Washington, one of the Credit Educational Course Winners

In the December issue of THE CREDIT WORLD twelve of the prize winners of the N. R. C. A. credit course were reported. One of them was D. M. Ruffner, assistant credit manager of "The Crescent," Spokane, Wash. Mr. Ruffner was mistakably identified with the California winners. He was also the only one whose picture did not appear owing to the fact that it had not been received. The missing picture was not the fault of THE CREDIT WORLD, nor was the erroneous statement, except that the editor of THE CREDIT WORLD is sufficiently versed in his geography to know that Seattle is not in California and should have caught this discrepancy. A new picture of Mr. Ruffner was received a short time ago, at which time the error was pointed out, and so it is with pleasure that we reproduce it here and correct the report of the December issue.

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Pay Promptly Advertising Campaign of the National Retail Credit Association Has Developed Large Volume Since the First of the Year. ◆ ◆ ◆

By the close of 1930 only two communities were actually running the national copy, but since the first of the year fifty-six have taken on the plan and new contracts are being received daily to the extent of two and three. It is confidently expected that by mid-summer as many as seventy-five or one hundred communities, including many large cities, will be well under way with their program, spending in total close to $100,000. About two hundred

communities have definitely indicated their intention to undertake the program as soon as they have determined the ways and means of raising a fund and numerous other places are in correspondence with the National office in anticipation. Four hundred places were programized with budget and schedule and over a thousand received the advertising folio. The newest acquisition is Rochester, N. Y., with an appropriation large enough to rank them as one of the leaders.

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Return Registry Receipt Address Bill

Some misunderstanding as to cost was created by the wording of Mr. Shealey's report of this bill in the March CREDIT WORLD. His report read:

"What do you do to get this service? Go to your postmaster with a letter that you desire to be registered, place 23 cents postage upon the same with a request for a return receipt and tell him that you also wish the return address. He will stamp the same, "Return receipt requested showing address where delivered," and when you get the receipt you will know the exact address at which it was delivered."

This 23 cents, however, is additional to the regular 17 cents registration fee or base charge. The total cost then is 40 cents.

This legislation has made a great national impression and is undoubtedly a boon to the credit man. It makes it possible to be able to secure not only the signature but the address of lost customers, unpaid accounts, etc. All secretaries should inform their members of this important legislation. The Utica (N. Y.) Retail Credit Association devotes its news bulletin No. 45 entirely to this legislation and among other things says:

"The National Retail Credit Association has been instrumental in bringing about the passage of this measure and so we can say your membership for years is justified by this master accomplishment."

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Sidney E. Blandford Injured

Mr. S. E. Blandford, dean of the Retail Credit Men's Association of Boston, and past president of the National Retail Credit Association, suffered a fractured leg and other injuries when struck by an automobile on March 27.

E. W. NELSON, Dead

E. W. Nelson, a nationally known figure among retail credit managers, died at his home in Lincoln, Neb., March 28, 1931.

While credit manager for the Rudge & Guenzel Company, department store of Lincoln, he became a member of the N. R. C. A., and became one of its leaders. He served on all the important committees, was elected director in 1917-18, second vice-president 1919, first vice-president in 1920 and president in 1921 and again director in 1922.

The Retail Credit Association of Lincoln, Neb., at a recent meeting expressed their loss in the passing of Mr. Nelson by a befitting resolution as follows:

"We pause at this time to pay our respects to the memory of Elon W. Nelson and to remind ourselves that not only has a faithful member left us, but also a man of fine integrity and noble character. We would emulate his sterling virtues. He was a man of industry, a man of affairs, a man of friendship and a man of faith. Be it therefore resolved by the Retail Credit Association of Lincoln, Neb., that in the passing of Elon W. Nelson the organization and its members feel the sense of irreparable loss and, be it further resolved, that we extend to his bereaved ones our expression of respect and sympathy; and further that this expression of our feeling be made a part of the records of this association and a copy sent to the family of our late friend and brother, and a copy be sent to the office of the National Retail Credit Association.

Respectfully submitted by your committee,

H. B. SMITH, F. M. STEPHENS. BYRON DUNN.

D. J. Woodlock Says

IT TAKES faith, nerve and vision to successfully operate a retail business. Faith in ourselves and our ability to meet all situations. Faith that after every depression comes prosperity.

Nerve to weather the storm of a declining market, decreased sales and slow collections.

Vision to know the opportunities which will be presented with the upward business trend.

To remain idle and wait means to die or let the other fellow get ahead of you. We must be up and doing with the realization that one hundred and twenty million people are potential customers of the retailer. That thirty million families are going to continue to live and eat and wear clothing and furnish homes and ride in automobiles and they are going to find ways and means and money with which to get all these things and more.

One of the best ways to renew the faith, vitalize the nerve and increase the vision of the retail credit manager is for him to attend the four-day convention and business conference of the N. R. C. A. in St. Louis in June. Talk shop and exchange ideas with fifteen hundred or more credit granters from all parts of the country.

It will be an excellent investment yielding large returns for store owners to insist upon their credit managers being present in St. Louis on June 16, 17, 18 and 19.

D. J. Woodlock.

Not 10% of the Stores of the Country Have Any Definite Terms Says C. P. Younts of Frank T. Budge Co. of Miami, Florida in Reply to D. J. Woodlock Editorial in March Credit World

THE last five words in an article by D. J. Woodlock in the March issue of THE CREDIT WORLD, "Teaching a Respect for Terms," deserves more than passing notice. The article mentioned was in regard to the credit line going up and the collection line going down.

Given a firm that really has definite terms for the sale of merchandise, a policy of enforcement for those terms, with a credit man who has backbone enough to enforce them—there should be no reason for the collection line coming down.

The service of the bureaus affiliated with the National Association has constantly improved and any merchant who takes on accounts without knowing all that he can know, is either too ignorant or too careless to be in business and the sooner he is out of the way, the better off business will be. One of the best thing the National Association could do in a case of this kind is to create such a sentiment against this kind of credit business that would either cure this type of merchant or put him out of business.

Though his is a small business, it is very demoralizing, and the limited success that in some way comes to him causes those in a grade just above to likewise relax his efforts, until it reaches almost to the top.

The only real reason for loss today is the unforseen element that comes into the affairs of one's customers. With the splendid co-operation of the credit granters of the country, the bureau is able to give the financial standing or paying ability of the customer—the willingness of the customer to pay and whether or not his "word is as good as his bond."

Credit granters are not able to foresee the future—neither are they magicians to make money where there isn't any, when some unforeseen element enters into the affairs of the customer.

For this reason there will always be the element of loss, but never the loss for the one who deliberately sets out to defraud—as the bureau "has his number."

The great loss that does come to the merchant of today is this "lack of respect of terms." *Not ten per cent of the stores of the country, great and small, have any definite terms.* Oh, yes, there is printed on the statement that "This account is due and payable on the tenth of the month following purchase," but how many of them enforce it? The attitude of most firms is: "It's all right if paid any time during the month or the following thirty days."

Customers who appreciate the courtesy of a charge account do not take advantage of this condition; but some who have let their desires go beyond their ability to pay are always asking or taking more time.

While not relaxing its fight for better credit reports the National Association would do well to begin a campaign among merchants of the country to educate them as to terms.

Every firm should have *definite terms* of payment, and realize that any deviation from them means loss to the business, not on the individual sale, but on its investment.

These terms should be printed on the application blank, on the statements, and when an account is opened the terms should be stressed in a letter to the applicant.

Allowing for delay in the mails, *every one* should be sent a notice within three to five days after the tenth, if that is the printed terms of the store, calling attention to the fact that "the account is due according to terms of purchase." This should be a very courteous, informal notice, and the continual use of this notice will educate one's customers—that will realize that this store knows when the accounts are due and its terms not being met.

What is meant by "terms"? It is the *designated* time which a store allows its customers to take after delivery of merchandise to pay for same.

Some merchants make "cash at time of sale" their terms, and it is a very rare occasion when they are asked to extend credit, as their terms are plainly stated and customers have been taught to respect them.

Others have "tenth of month following purchase"—some 60 and some 90 days, and the installment account with variations from 90 days to an indefinite period. Is there any more reason for the customer to ask the merchant whose terms are tenth of the month following purchase to wait on him, than to ask the cash merchant to give him a few days time to pay?

Outside of the larger stores of the country who have competent help, who can figure the cost of carrying an account, not 10 per cent of the others figure carrying an account over a given period is so much loss for the store. They do not realize that every month an account is carried there is a loss as high as 50 per cent on the investment.

And even a smaller number of the store's customers realize what it means to carry an account. They give no thought to the extra cost of bookkeeping and the other costs incidental to carrying the account, and most of them think that a bill paid at any time is profit to the store.

Would it not be good publicity and education for the National Association to see that during the year advertising is sent to the various bureaus bearing on the matter of terms, from the standpoint of both the merchant and the customer.

Most merchants are plagued by customers who seek special credit favors because of real or imaginary social, business or financial prominence in their community . . . each one fancying that his patronage, through some mysterious alchemy, becomes invaluable wherever bestowed. Curiously, those whose contact with credit relations should lead them to be the least impressed, seem prone to be led into fostering such accounts, adding to, rather than detracting, from the difficulties.

PLAYING FAVORITES

By C. J. HERMAN
Credit Manager of Sibley, Lindsay & Curr Co.
Rochester, New York

BACK about fifty years ago, the retail business was one of wits, cleverness and shrewd bargaining. The customer started out by demanding every advantage and the merchant granted as little as he could. That included *prices* and *goods* and *terms*, the three main factors of any trading transaction. About that time, a Boston store began fixing the price to all. Both the merchants and the public said it couldn't possibly be done. But the economics of that policy were sound, and now it is hard for us to visualize retail selling in the old way.

I can remember, as a boy, my father taking me to the local clothing store and getting a special price "seeing it's you." It impressed me then, but I don't think it did my father very much. He probably did the same thing himself. But the idea that some buyers were of more importance than others—that one's standing might be measured by favors demanded and received—had such a firm hold that it hasn't let go yet, although favoritism in price is now gone and the merchant who practices it is skirting the edge of respectability and bankruptcy.

Within our present memory, there has been a constant pressure against any and all kinds of hokus-pocus in quality and quantity of goods. Hardly anyone expects to get an advantage of that sort now. But they used to do it. It wasn't sound and profitable business, so it had to go.

That disposes of the price and goods trend, leaving only terms.

Credit in those "good old days" was generally a favor with little or no system, plan or reason; mostly granted to those known personally to the merchant, of his own or better financial or social standing—often given, in fact, as a lever to enhance his standing among the local "four hundred," which meant so much more then than now. Any number of things helped this along. Incomes were irregular. Salaries were not the rule. Custom, seasons, the difficulties of travel at certain seasons, lack of banking facilities, and loose competition and large mark-ups permitted it to thrive for the time. All this is much the source of the idea of social and financial prestige in retail trade. It is the last one of the three to die, and it hangs on more because it has only a mental and inexact measure of profit and loss, not definable in direct dollars and cents. Consider, also, the volume of credit versus cash in retail trade or the distribution of consumer credit among wage earners or the rise of the great chain stores to prove the great leveling trends of price, service and terms. If the established economic trend is against the playing of favorites, or against any other such general practice in merchandising, sooner or later you and I, your firm and my firm, are going to change it if we have not done so already. Suppose we agree that credit favoritism is one of the remaining evils of average trade. Suppose we say, "Yes, that's so." Now what can we do about it?

Perhaps not a thing right now. Perhaps a good deal. Perhaps you chance to have no large part in the fixing of the policy of your house. But certainly nothing whatever will be done, in any event, without a clear mind, a conviction and a plan—a clear mind born of the exact information about our own business, a conviction that the years are surely leveling off all of the uneconomical and inequitable practices, and a plan of common sense with determination.

There are certain things that we should know, whether or not our opinions govern the policy of our house; know them for clear thinking. We are all too prone to let mental laziness lead us into guesses and opinions to avoid the labor of fact-finding. First, we should know the number of accounts that are being carried to unprofitable lengths. Second, we should know the value of the year's business on those accounts, and third, we should know the point at which these accounts and all other accounts cease to pay a profit. Knowing this, we should be able to decide where we can go and how far we may travel within the circle of profitable business.

Now, we should have no serious disagreements so far. I hope not. But right here, I want to make some flat statements that won't go down so well. Please think them over before you disagree. Here goes:

1. We are not in business for our health or for social standing, or for volume, as so many seem to think, but for profit—and profit alone must, in the long run, govern policy. After all, the whole answer is whether or not the head bookkeeper must have a new bottle of red ink at the end of the year.

2. There is exactly the same final profit from a completed sale, and a completed sale includes a paid bill, to Mary Shopworker as a sale of the same amount to Mrs. Gotrocks.

3. That the business of the same Mary Shopworker and the butcher and the baker and candlestick maker, and all making up the general public, has become the groundwork of the retail business of the United States. And the trade of Mrs. Millions is the fringe.

4. That, generally speaking, excepting in a business catering exclusively to wealthy and discriminating people, the opinion and good will of the average person spreads farther, has more contacts, and is worth more in dollars and cents than that of the socially and financially prominent.

5. And that such business cannot continue without the good will of the general public, that is always jeopardized by discriminations and favoritisms of any kind.

There are two classes purposely left out of this so far; not because they are different in principle, but because most credit managers think they are. The store or business which caters to persons of social and financial prominence and the class of customers who seek long terms on the ground that their income is received only in quarterly or semi-annually installments. Both of these are grouped together. The answer is whether the business will warrant a dual character of merchandising and small loan brokerage at the same time. The customer whose account is carried for six months on the ground that his income is payable only at the end of that time is making the merchant a small-loan banker for that period. Not any more or less. Most commercial bankers wouldn't touch that sort of business.

On top of this, along comes the retail merchant, without any knowledge of the fundamentals involved, seldom knowing as much as he should of his own affairs, and adds onto his burden a business wholly foreign, seldom profitable, lending money for no economical purpose. The bank or local broker would require a financial statement and fixed dates of payment. The merchant has neither, and all too frequently, he has not even an exact due date for the amounts he puts on his books. It is just plain gambling and if a business has that sort of accounts, it is usually continuing because the prompt-pay customers are carrying the loss, and for no other reason.

But all that is general. What, practically and specifically, can we—I or you—do about it to correct the abuses that we all have? One of three things.

1. Cut it out all at once in a lump, making a grand gesture, and take the licking all in one piece. There are a few stores that have done it and gotten away with it, but it's a tough job.

2. Start out with much enthusiasm, cleaning up a few exceptional cases where we are able to stand our ground and let the enthusiasm ooze away on the first or second or third real difficulty.

3. Or do a real job as credit manager, meeting each case carefully, conscientiously, and with a determination to apply the pressure in all; constantly cutting off some of the time and some of the amount of these abnormal accounts.

The trend of business, the weight of economics, is all against the playing of favorites as an adjunct to any general, wholesale or retail business. It's going to stop and you and I can only hasten or retard the day. Let's remember this when we face our next problem.

The very first thing is to avoid adding any more such accounts to the lists. Any complaint doesn't sound very convincing from a merchant or credit manager who opens such accounts knowingly or carelessly, or allowing them, once he has them, to fall into favorite classes. Your

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The surest guide to conduct in any merchandise operation over a period of time is the general trend. "Pioneering doesn't pay," says Andrew Carnegie. But leading the van does pay, and bringing up the rear is certain loss.

credit bureau can help here if you will remember that financial strength must be coupled with willingness to abide by terms for good credit. The whole trouble has usually one of three sources, sometimes all: the need of money, a desire to impress importance, or just carelessness.

The first is most unsound of all, and if your credit policy will permit a sort of loan business to be grafted onto your merchandising, you can afford to carry this class. If not, it is business well lost. Let someone else be their banker, but begin by keeping out of new troubles. Offend? Not really, if you do a tactful job of it.

The other two are mental hazards; all this idea of social prestige is mental, and the would-be important always have a weak spot that can be reached. They are never quite sure of themselves, their front is mostly like the second and third stories on the old western one-story buildings, and people of real importance never need any such tactics. Most people are more than anxious to be reasonable and to be thought so, if only they knew what it is all about. And there are very few that will not respond to a straight-forward explanation of the requirements for fixed terms, the necessity of one price and terms policies, put in the light that they, being exceptional persons, certainly desire their business to be advantageous to the merchant, desire him to value it, and would not, under any circumstances, seek unfair privileges.

Can Dead Customers be Brought Back to Life

By FRANK R. OTTE
Adv. Mgr. Sibley, Lindsay & Curr Co.

From Direct Mail Selling

EVERY department store is faced with two major selling problems which usually function through the credit office. At least they should, for in the last analysis of modern business procedure every credit function is a selling operation. The particular problems referred to relate, first, to getting new charge accounts and, second, to holding those already on the books.

In this day of keen competition, and the light moral turpitude of loose collections, it is difficult to win new charge accounts of merit. Consequently, when the prospect has finally been enrolled as a patron, it should be a matter of grave concern to find that she has dropped from the active buying ranks.

In the ten years that I have worked with both credit and advertising departments, I have seen neither a new nor an original idea presented to solve the exigencies of bringing the wayward or wandering account back into the fold.

Two years ago, it became our lot to pull such letters out of the rut and up into action. After considerable thought we "invented" what is believed to be an entirely new plan. At first this appealed to us as something merely unique in the average run of complacent appeals. Time, however, has proved it a mighty factor in holding the truant charge customer.

Before analyzing the new, let's pick to pieces the old. The usual P. U. Y. A.* letter appeals to pride. The credit manager titillates the ego of the patron by addressing her as a person of vital importance to the store. Now let's see how the appeal to pride rates in the psychologist's chart of *Six Primary Motives*. They are these: *Love, Gain, Duty, Pride, Self-Indulgence, Self-Preservation;* given in the order of their power of motivation.

In brief, the psychologist explains all the action of the human universe as due to these six inherent instincts which when prodded into action make us do things.

What Appeal?

From this short detour in psychology, we now go back to our P. U. Y. A. letter, and its appeal to *Pride*. An inspection of the motivation chart shows that this motive, or appeal, appears as number 4 on our list. In other words: *Love, Gain* and *Duty* supersede it as stronger factors for moving truant patrons to renew charging activities. Hence our first step must be the selection of a motive stronger (or higher in the scale) than *Pride*.

Obviously, *Love* does not click. Next is *Gain* and there we decide to rest our case without further examination of the six primary motives. In other words we are going to renew dormant charging activities by arousing the basic bargain urge which is a predictable quantity in nearly every woman, or man, for that matter.

There is another link to our plot before we can follow more constructive arguments. Why a charge account? Like it or not we must admit that such a "privilege" is merely an opiate.

If then a charge account is an opiate, we may momentarily and briefly turn to the subject of habit. Like any opiate the charge privilege becomes a habit. A dormant charge account is usually one which is trying to break down a habit. If this line of reasoning is correct, all we need do is to administer a small dose of the buying-on-credit opiate to thus again arouse into action the slumbering acceptance of an original urge.

Simple Law

This sequence of thought is related to a simple psychological law: that when one has performed an original action a subsequent similar action is stimulated to happen again without as great a resistance as preceded the first action. Such is the relation of all habits in the chain of human behaviorism.

We cannot overpower the customer's desire to destroy her charging habit unless we first ascertain the reason *why*.

History, theory and experience offer these: (1) The customer has determined to curtail buying by removing the charge account temptation. (2) The customer has been stimulated to purchase from a competitor. (3) The customer is offended and, therefore, has ceased trading with us. (4) The woman customer has married and, therefore, changed her name and residence. (5) The customer has died.

Obviously, our presentation does not deal with the factors of marriage, death, or movement, nor can our proposed method deal with the malcontents. Such eliminations simmer the situations down to two cases: Number (1) wherein the customer is endeavoring to destroy the charge habit, and Number (2) wherein the habit remains but has been transferred to a competitor. In either case the method of recoupment is the same: Administer a slight dose of opiate to let matters again follow their normal line of procedure; in other words, stimulate buying action or defeat competition.

Now we can summarize our deductions: we have agreed to write letters motivated by the *Gain* appeal, handling factors in such a way that the customer will be induced to purchase a small but necessary article at a bargain price.

The bargain is the lure or the opiate which, when accepted, renews the charging habit.

These are but theoretical conjectures. The next step is to test them. So we send the dormant accounts a sales letter, temptingly written about some irresistible bargain. Not a word is said about "reopening the charge account," not a question is asked about why the account is not used. The entire letter is given over to the selling of some product at any unusually good price. The conclusion reads: "Simply fill in the enclosed order blank. We will deliver to your home, and charge the correct amount to your account." Those customers who accept the opiate have unconsciously reopened their account and renewed a habit. This group will now continue to use the charge privilege.

Basic Factors

After many trials and errors, we have found that three merchandise factors are essential: First, the product must be a commonplace but attractive necessity; second, it must be told about in a way that offers a broad appeal to one of the highest, universal, elementary feminine desires; and third, it must be at a price that makes a very big play on the *Gain* instinct.

In our plan we carefully follow out the direct mail technique known as the "wearing out" method; that is, we send letters month after month; each succeeding month dropping those who have replied. We continue to "wear out" our list until those who do not respond have received five different letters, or four different bargains (plus a questionnaire letter) over a period of five sequential months. After four bargain appeals, we consider that those still truant fall back into the second section of our original classification. That is, they are those which have been offended, or have married or are dead.

For the remaining list we revert to the custom-made, *why-don't-you-use-your-account* type of letter, to which we attach the questionnaire. From the questionnaires we get a great many answers. The offended ones tell us "why," and the situation is referred to the Complaint Department for adjustment. Those who have married tell us that our mail has been received in the maiden name. They have moved from the city, or perhaps an account has already been opened, or will be opened, in the married name. In the case of the deceased we frequently have the questionnaires returned by relatives.

To clarify the entire procedure, let us say that on April 8 we start out with a list of 1,000 dormant accounts who have been charging up to and including January. During February and March they became defunct. Three hundred respond to letter No. 1. Seven hundred are unaccounted for. In May another and *different* bargain letter is sent to this group. This time 200 respond and go back on the active ledger. Now we have reduced the original list to 500. In June we send letter No. 3, and win back 100 more. In July we try No. 4 on the "hard-boiled" 400. Perhaps 50 weaken and rejoin us. To the remaining 350 hold-outs we send the questionnaire letter.

After two years of experiment and experience we find that if the campaign has been carefully conducted, the fifth or questionnaire appeal completes the cycle very close to 100 per cent.

Inquiry Cost

When a letter or mailing piece doesn't pull up to expectations, what's wrong? First of all, the copy would be blamed. Which leads to an interesting check-up made recently by an advertiser permitted to spend $25 per inquiry. The same copy was used in four different letter forms. The first letter was individualized; the second was individualized with additional copy in the margin; letter number three was not personalized, although the marginal copy remained—instead of an individual name there was a caption. In the fourth letter the unpersonalized caption was printed in color.

Cost per inquiry on the first letter was $28.85—on the fourth a little over four dollars.

A large insurance company has instructed its salesmen to call on non-replyers of advertising—it has been found that more business is forthcoming from those who do not respond.

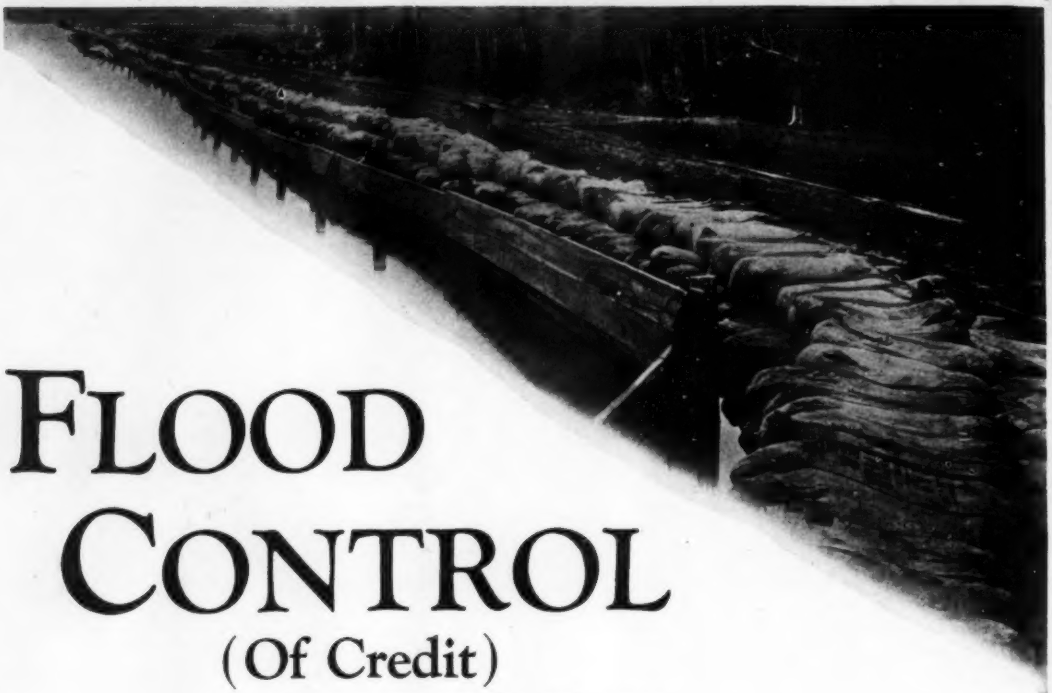
Banks find that direct mail sent home is more resultful than when mailed to office.

◆

Love? Gain? Duty? Pride? Self-indulgence? Self-preservation? Psychologists say these influence all of the actions of human behavior.

If you were writing a letter to a customer whose account was over-due, which of the above appeals would you use?

Frank R. Otte



FLOOD CONTROL (Of Credit)

By H. F. NORRIS

Recent surveys for flood control have almost uniformly recommended the curbing of tributary streams so as to provide a steady, even flow of water, constantly under control in the main channels.

OUR river of expense is created by co-mingling streams of expense issuing from the various departments or activities of our businesses, many of which though small in themselves, are capable of producing that last drop or adding that last ounce of burden which finally tears away the protection of our gross profit and wipes out the net. While there is a great variance among credit departments as to the relative responsibility for expense control in the institutions which they serve, there is not one which does not in some degree share this responsibility.

Whether or not the actual authority for creating expense in your department rests in your hands, the responsibility for the economical administration of your department rests on your shoulders. Take, for instance, methods or systems in the credit office. In these days of almost numberless publications—research experts—clever salesmen and above all the desire of each to perform his job in a big way, that firm is indeed fortunate which has in charge of its credit department a man or woman capable of analyzing and gauging the possibilities of the multifarious schemes and ideas held out to him as the way to do a capacity credit business with the maximum turnover of accounts and the minimum loss from bad debts.

In the past ten or twelve years one of the greatest faults in business has been the desire or attempt to do the things the big fellow does—follow the leader. In the Controllers Congress the cry of the lass session was "Simplification. Get back to essentials." After all, that is all we need for good credits, essentials and persistent work. Analyze the needs of your department—of your particular store. Use the material that comes to you from the many sources, but measure it by your need and what it will really produce for you more than by what it has produced for someone else.

In spite of our precaution in controlling the little tributary streams of expense, there is, in our gross profit dikes, just as in the great river levees, an inherent weakness and tendency to crumble, in the form of losses. This gross profit dike has been built slowly and painstakingly, bit by bit and dollar by dollar, under the skillful direction of our merchandising forces. In the face of the great risks of proper selection, presentation and competition, this division of our business has produced the material for the bulwark which makes possible our net profit. But how is the material put in place? Will it stand the attack of the river? Anywhere from 40 per cent to 60 per cent of the total business of the firms you represent is conducted on a credit basis and therefore 40 per cent to 60 per cent of the responsibility for the successful defense of your net profit is yours. Here, indeed, is a challenge beside which the thought of expense pales into insignificance.

The old story of the little boy who saved the Holland dikes by the simple expedient of sticking his finger in a hole to keep the water from running through will have its counterpart in many a credit department this year. What are some of the holes we can stop up? The very

first and most important one is, of course, that of the investigation of a new account.

I have repeatedly found among the best with whom I have been acquainted, a tendency to depend entirely too much upon hunches and the fairly safe theory that better than 90 per cent of our customers are inherently honest. I fully believe that if it were not for that natural factor of safety there are a great many credit departments that would be empty today either on account of the inability of the merchant to find an occupant or the funds to pay his salary. That is a pretty extreme statement to make and I fully realize that it will not be agreed with, at least not quite 100 per cent. But I would like to take out part of the sting by adding that it is not because of inability or lack of understanding of the task, but of the very natural instinct to follow the line of least resistance. And this is true of others as well. How many times I have heard in my office a long distance telephone conversation with a bank in a nearby town go something like this: "What can you tell us about Tom Jones —Oh, you've known him a long time—you think he is O. K. for $50 —All right, thank you."

The Credit Report of a Famous Attorney

"Messrs. XYZ: I have your letter of the 10th inst. inquiring about the financial status of my neighbor. I have known Mr. X for a long time and am well acquainted with his financial condition. To begin with, Mr. X has a wife and baby which together are easily worth $50,000. In his office there is a desk probably worth $1.50 and three chairs worth at least $1.00. In one corner there is a large rat-hole which will bear looking into.

Yours very truly,
ABRAHAM LINCOLN."

Practically no information (some of the banks are very loathe to give it out), and of what use is a report of that kind in an emergency a year later when the customer wants two or three fur coats on approval and frequently the written reports come through with just as great a dirth of material. In contrast to the foregoing, see in the above box the credit report of a famous attorney which while perhaps not a model at least complies with the necessity of furnishing details:

Too much cannot be said of the necessity of securing as fully complete a report as is possible in the establishment of a new account. We all realize this when a skip reveals to us that there is little or nothing in our files or in the files of our fellow sufferers—our competitors—but the last address given us by the skipper, and a statement returned "address unknown."

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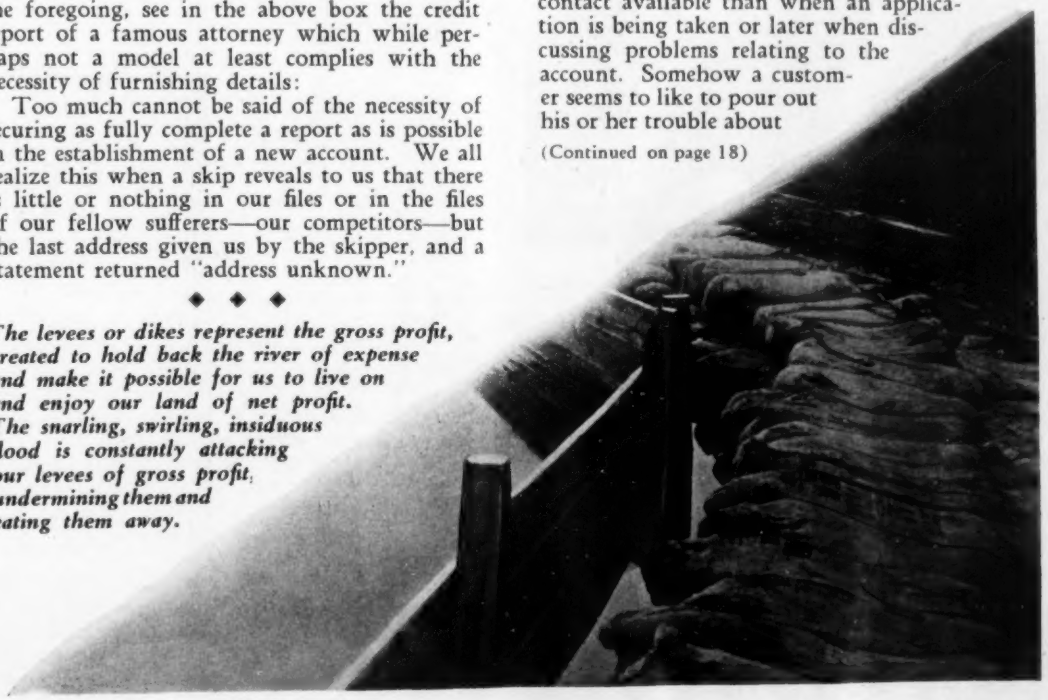
It is true that our accounts receivable balance —one of, if not the most important asset on our balance sheet, is spread out over many thousands of individual accounts, and the record of loss in proportion to the apparent risk is wonderfully small. But do not forget that it is the small loss repeated sufficiently often which results in the gradual cave-in and disintegration of our gross profit dike. Make your investigation thoroughly—record your results systematically and not too elaborately—and with the natural factor of honesty to protect you, your loss record will stand out with the best.

One of the great problems confronting every credit manager is that of efficient and dependable authorization of charge sales. Here, too, is the possibility in a very definite way of serious and uncontemplated loss. The passing of charges either carelessly or through misunderstanding on accounts which have never been accepted, as well as the passing of charges far in excess of contemplated limits, constitute a potential loss which at times becomes alarming. Here, too, the control plans must be designed to give the protection the store must have, the service the customer demands, and at the same time avoid any unwarranted contribution to the river of expense. One of the great advantages smaller stores enjoy over larger ones and one which unfortunately they frequently neglect to develop is the opportunity for close customer contact.

At no time is more intimate or personal contact available than when an application is being taken or later when discussing problems relating to the account. Somehow a customer seems to like to pour out his or her trouble about

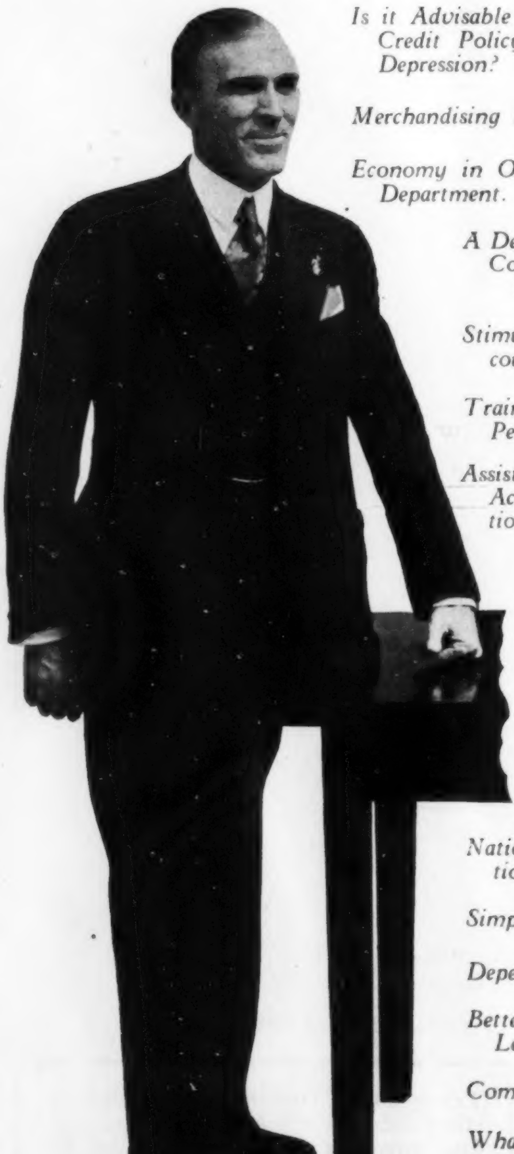
(Continued on page 18)



The levees or dikes represent the gross profit, created to hold back the river of expense and make it possible for us to live on and enjoy our land of net profit. The snarling, swirling, insiduous flood is constantly attacking our levees of gross profit, undermining them and eating them away.

Honorable Clyde Kelly

One of the principal speakers: author of Return Registry Receipt Bill; an outstanding member of Congress; an American of progressive ideas and accomplishments: recognized in Congress and throughout our nation as an eloquent orator of the most dynamic character.



Some of the Topics to be Discussed

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Is it Advisable to Continue a Liberal Credit Policy During a Period of Depression?

Merchandising the Credit Department.

Economy in Operation of the Credit Department.

A Definite Due Date for Accounts Receivable—Faith, Nerve, Vision.

Stimulating Turnover in Accounts Receivable.

Training Credit Department Personnel.

Assisting Debtors by Pooling Accounts and Amortization.

What We Discovered in the Bankruptcy Survey.

Have We Reached the Limit in Consumer Credit Extension?

The Opportunities of the Credit Manager?

National and State Legislation.

Simplified Accounting.

Dependable Follow-Up.

Better and More Effective Letters.

Community Credit Policy.

What a Central Credit Reporting Service Does for the Credit Manager.

Returned Goods Evil.

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The Annual Con tion ar ness Conference of Natio tail Credit Associ n will in St. Louis, June 17, 18 This will be the la t atten most educational eting history. Now is t ime to your local memb line u delegation and m your tions. In your b tins u merchants to se their mana s.

SPEA RS

Ass

WALTER B. WEISEN ER, Pre Louis Chamber of C erce.

C. W. PHELPS, Resear ivision, of Chattanooga.

F. M. MAYFIELD, Pre Scruggs voort & Barney Dry s Co.

WILLIAM McCHESNE ARTIN, Federal Reserve Bank Louis.

SIDNEY BAER, Stix, B Fuller

J. G. McBRIDE, Contr The Ge Company.

P. H. CARR, Standard ing Co.

CHAS. M. REED, Genera nager Re Association, Denver.

Invited But No D te Acc

HON. ROBT. P. LAMO Secretary merce.

DR. JULIUS KLINE, U. ept. of

LLOYD K. GARRISON, Dept. Assistant to Attorne eral.

D. F. KELLY, Preside tional Goods Co., President Fair, C

HON. JAMES A. REED ner U. S

19th Annual

TI NAL RETAIL CREDIT ASSOCIATION

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E, U. ept. of Commerce.
SON, Dept. of Justice,
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esident Fair, Chicago.
REED er U. S. Senator.

F. M. MAYFIELD, President
Scruggs, Vandervoort & Barney Dry Goods Co.
Will Be One of the Speakers

HOTEL RATES

HOTEL JEFFERSON

Convention Headquarters

Room with bath for one person—$3, $3.50, $4, $4.50, $5, $6.
Room with bath for two persons—$5, $6, $7, $8.
Room with tub and shower, for one person—$4, $4.50, $5, $6.
Room with tub and shower, for two persons—$6, $7, $8.
Room with bath, twin beds—$5.
Room with tub and shower bath, twin beds—$7, $8.

HOTEL STATLER

Always Good

Type A—Room for one—Shower bath, $3, $3.50; shower and tub, $4.50, $5, $6.
Type B—Room for two (one double bed)—Shower bath, $4.50, $5; shower and tub, $6, $6.50, $7, $8.
Type C—Room for two (twin beds)—Shower and tub, $7, $8, $9, $10.
Type D—Room for three—Shower and tub, $8.50, $9, $10, $11, $12.
Type E—Room for four—Shower and tub, $10, $10.50, $11, $12, $13, $14.

Send in Your Registration Now

There never was a time when knowledge and co-operation on credit matters were of such vital importance to the Retail Business.

Impressive Speakers of National Reputation

Educational Conferences

Wonderful Entertainment

How many will you bring from your city?

ENTERTAINMENT

Evening of June 16—Municipal Opera, Forest Park—America's most wonderful outdoor Opera.

Evening of June 18—Banquet and Entertainment—Clyde Kelly.

Evening of June 15—Boat ride on Palatial Steamer "J. S." on the Father of Waters—Dancing—Fun.

FOR THE LADIES

Afternoon June 17—Tea and Bridge Sunset Country Club.

June 18—Theatre Party, Ambassador Theatre.

Transportation from the Union Station to Hotel Jefferson will be furnished all delegates attending the Convention. See Reception Committee in the rotunda of the station for cab tickets.

(Continued from page 15)
the account into the ears of the credit man. So often a complaint is made the basis of an alibi for non-payment, but whatever the basis, once a customer has made a complaint he is very likely to adopt the attitude, "That's my story and I'm going to stick to it," and stick he does. Here, then, is an opportunity for the credit department to prevent losses resulting from interrupted patronage on the part of the customer and most stores today are willing to admit that the customer is nearly always right, at least sufficiently to give the credit department plenty of backing in that respect if not in others.

Get a little more of the angle of a great many successful insurance men who feel that they are almost as much the agent of their policyholder as of their company. A satisfactory adjustment promptly made will produce many times the cost of adjustment, in actual profit.

Another factor which must be seriously contended with is that of collection. Here the credit department must assist in establishing and carrying out a policy and method which will maintain the dignity of the institution—preserve the integrity of your accounts receivable—and maintain the good will of the customer. That, of course, is a large order to fill and yet it is the degree in which we measure up to such a task that determines our value to our employer as a "finger in the hole in the dike."

One of the popular tendencies in merchandising circles the last year or two has been meeting that condition known as "customer demand" and merely places emphasis on studying the needs and desires of your customers with the view of fulfilling as nearly as possible those needs and desires. It is merely another form of carrying out the principal expressed by one of our luncheon clubs that we are successful in the same proportion in which we serve.

If our merchandisers find that the public wants to wear shoes that they can buy for less than $5, or hosiery for less than $1.50, they make it their chief aim to supply that demand, even though they may have to revise their ideas about mark-up. Surely our customers have just as well defined ideas as to what they want in the way of credit service on the part of their merchants and it is up to the credit department to analyze and supply that demand. If you don't—look out. Your competitor may.

Don't get into a rut. It is so easy to use form letters and mechanical phrases in our correspondence that soon whatever personality you may have had will become completely submerged. In the phrase of the day, "Be yourself," and utilize all the powers which may be lying dormant in you through lack of use.

When interviewing an applicant for a new account forget the uniform application blank which is being filled out. Take a good look at your customer—try to visualize from the address and occupation given, something of the home life and conditions which affect his credit. Know your town well enough to converse with him about the little things that may be of personal interest to him. You will frequently get better sidelights on a customer that way, as to his right to credit, than you would get from all the questions on all the banks ever prepared.

Did you ever stop to think how differently you go about collecting an account due you from a person you know fairly well—how you make allowances here and there because you know "John is all right—just a little bit hard up right now." And yet, although the other John's credit responsibility is just as good, he is apt to get a different line of follow-up because you are not just sure about him—an unwitting admission of inefficiency.

So far in our analogy of "Old Man River" we have simply considered our share in the task of controlling the danger and maintaining the defenses already created for us by the producers of gross profit.

I am sure you are familiar with the biblical story of the man who left an equal amount of money in the custody of each of several servants or employes. All but one made wise and profitable use of the money and returned the principle and increase to his master. The one, however, was afraid of the responsibility and hid the money in the ground and was very promptly discharged when the boss returned.

What is our position as stewards of those elements of our business which have been placed in our charge?

It is true that we do not sell merchandise—at least not directly—and consequently cannot in that manner add to the structure of the gross profit defenses. Yet we are not to be considered as one of the lilies of the field who toil not. Has the boss then failed to honor us with the responsibility of developing his resources or have we like the foolish servant simply permitted them to be buried under the routine of our task?

There may be even in this enlightened age an occasional merchant or institution which has failed to catch the vision of the possibilities for exploiting its services through the medium of its credit department. I say there may be, but there are very few indeed. Yet in spite of the recognition of these possibilities it is amazing to what an extent their development is being ignored or at least deferred. Quite naturally the important thing is the successful administration of the great task which lies ready at hand—the business which we already have and are daily placing on our books.

But every credit man should budget somewhere in his schedule a time allowance for the extension work so necessary for the proper development of his department. The solicitation of new accounts—a following up and reinstatement of inactives—the forming of friendships and contacts with newcomers—the procuring of lists of responsible families in communities tributary to your city—these are but a few suggestions which while in no sense original are necessary, because we cannot be too often reminded of the acres of diamonds that surround our own places of business.

Another of the modern experiments being conducted in larger institutions along with other research work, is "customer control."

This is of course designed for the benefit of the selling staff with the thought of locating and correcting the reasons which cause a customer who buys all of her ready-to-wear from you to go to her competitor for her millinery or shoes. Think what opportunity awaits the credit man in a store too small to experiment along such expensive lines to see in his perusal of his accounts—not merely that this one is paid promptly and that one is always like the "old cow's tail"—but also that Mrs. Smith has not bought anything in the dress department for months or that Mrs. Jones' daughter who just left for college bought only a handbag.

A current story in New York has to do with the price war being waged between two of the largest stores in an effort to maintain their avowed policies of "We will not be undersold" and "Always 6 per cent less." The story concerns two push-cart peddlers, acquaintances, trudging side by side through a crowded intersection. As they stopped for traffic to pass one turned to the other and said, "Well, Abie, how is business?" No answer. Again he said, "Abie, I said, how is business?" Only a glare! Then, "Abie, what is the matter? I ask you, how is business?" and Abie, with a surly air said, "Does Macy tell Gimbel?"

I tell you that the credit man or woman who sees in his work nothing more than the careful authorization of charges and a reduction of his charge-off percentage is not only hiding his "talent" in the ground, he is burying it so deep he will never find it again.

Thus far we have considered the potentialities of the credit department. What about the possibilities? "What is the difference?" The old story of the Irishman who explained the difference between satisfaction and contentment is the answer. Pat, you know, said he was satisfied that Casey was trifling with his wife's affections, but he was far from content about it.

We have heard many complaints in past years about the executives of organizations not appreciating the importance and dignity of the credit department and not allowing the development of the individuality of the credit man. That condition, if it indeed exists, varies in different stores according to the type of the individual directing the affairs of the store.

Quite naturally the principal function of any retail establishment is to sell goods and the resultant tendency is to eliminate or reduce as much as possible any condition producing sales resistance. And where are these conditions apt to be found in a credit office?

In our smaller big cities and bigger small cities there is and always will be, I suppose, a large percentage of people who fail to realize the necessity of what they consider the red tape in establishing an account. There is no need for me to enlarge upon that statement. Our effort, therefore, should be to keep the tape from being more than a light pink by studying the various types of customers who come before us so as to direct the interview along smooth channels. Avoid asking tactless questions. Cultivate a style of obtaining essential facts without asking direct questions. Get your applicant to furnish information voluntarily by directing conversation along lines which will suggest the reply which you want, and make the customer feel that you are displaying an interest in, rather than merely being inquisitive about, her affairs.

Above all, avoid that cold impressive manner sometimes found in our credit departments. You like to feel that your best friends are probably your best customers, don't you? Be friendly —and watch the change take place in the attitude of your boss toward your department.

When differences of opinion do arise between the executives and the credit department they generally develop as the result of the failure on the part of either or both to have had a proper understanding regarding the policies to be followed out in extending credit and pursuing collections. The blame in such circumstances is fairly evenly divided, for while the establishment of such important policies is primarily a responsibility of the owner or executive in charge, it is also true that no credit man should undertake to operate a department without first having those policies discussed and decided on. Indeed, he should know before accepting the position what policy he is to follow, for it might save him many months or years of unhappiness in a position not to his liking as well as lost opportunities for developing along his own lines.

Too often it has been regrettably true that the beneficial activities of the credit department have been nullified by the failure of executives to support their efforts. Any failure to uphold before a customer the dignity of a credit department, whether right or wrong, is detrimental to the morale of the department, the effectiveness of the organization and as well encourages what might be termed a Bolshevistic attitude toward credit control on the part of the customer. It is undoubtedly quite all right to take the part of the customer, especially if there is doubt as to the judgment displayed by the credit department, but statements or admissions of a type to humiliate or discredit the department are as bad as criticising a clerk or humiliating your own child in the presence of friends. An inferiority complex is dangerously easy to develop and a life-long task to eradicate.

Another peculiar difficulty faces the credit department in an institution where the executives possess a predominating selling instinct. In good times when business is plentiful and profits are easy—when there is no particular need to exercise unusual care in the extension of credit or unusual persistence in the following of collections—then they seem to be perfectly willing to throw all the safeguards available into the work of handling the credit business of their store. As a matter of fact, in such times prosperity is pretty well distributed and the likelihood of large losses is very greatly reduced.

But when business is scarce, profits mighty slim and the slimmer they are the harder they are to keep, then it is surprising to see what chances they are willing to take. Those are the times which test the caliber of the credit man and bring into play every ounce of ability he

may possess. For he has to fight not only the customer who wants too much credit or too much time, but also the salesman and the proprietor. The boss says in reply to his arguments for turning down certain risks, "You ought to get out on the floor once in a while and see how hard it is to sell goods," and the credit man in his mind replies, "And you ought to get in here and see how hard it is to collect the accounts." Undoubtedly there is much of merit in both suggestions, but the credit man in these cases generally knows that the fight—and an expensive fight it is—has just begun which will not end until the last receipt has been signed.

And so it goes— the merchandising division with the responsibility of keeping its stock of goods fresh, clean and active—the credit department trying to maintain a turnover of accounts sufficiently rapid to insure the greatest use of the funds invested and each of them directing one of the dominating figures on the average balance sheet.

No doubt you have all heard the age-old complaint of the advertising man who said that if a sale was a success it was because the merchandise and prices were right, and if the sale was a failure it was because the advertisement was rotten, and he never got any credit anyway.

We are all engaged in the fight to preserve our net profits and the big point to consider is not "Who won the war?" but "Will we win the war?"

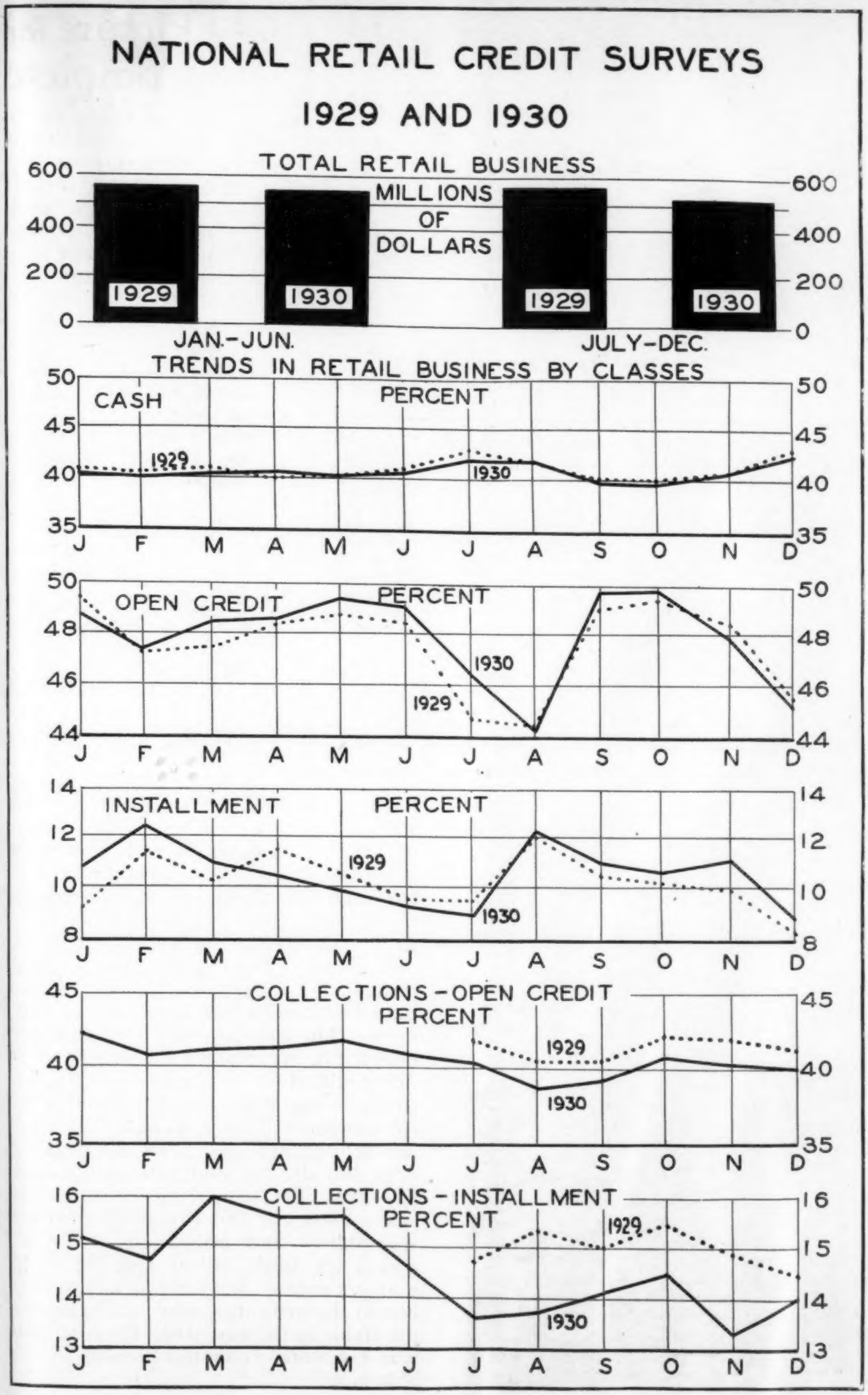
Let us relegate to the background for all time any such discreditable reflections as to whether our share in the success of our firm is receiving proper recognition—and be good sports. Fight for the sake of winning as much as for what we win. Get into your work something of a football spirit, which is what has made football the greatest and most popular team sport in the world. Get the team spirit as described by Kipling, who gives credit to "The everlasting team-work of every blooming soul."

True merit rarely goes unrecognized and I feel sure that it can and will be recognized in a real credit man or credit woman, even by the boss.

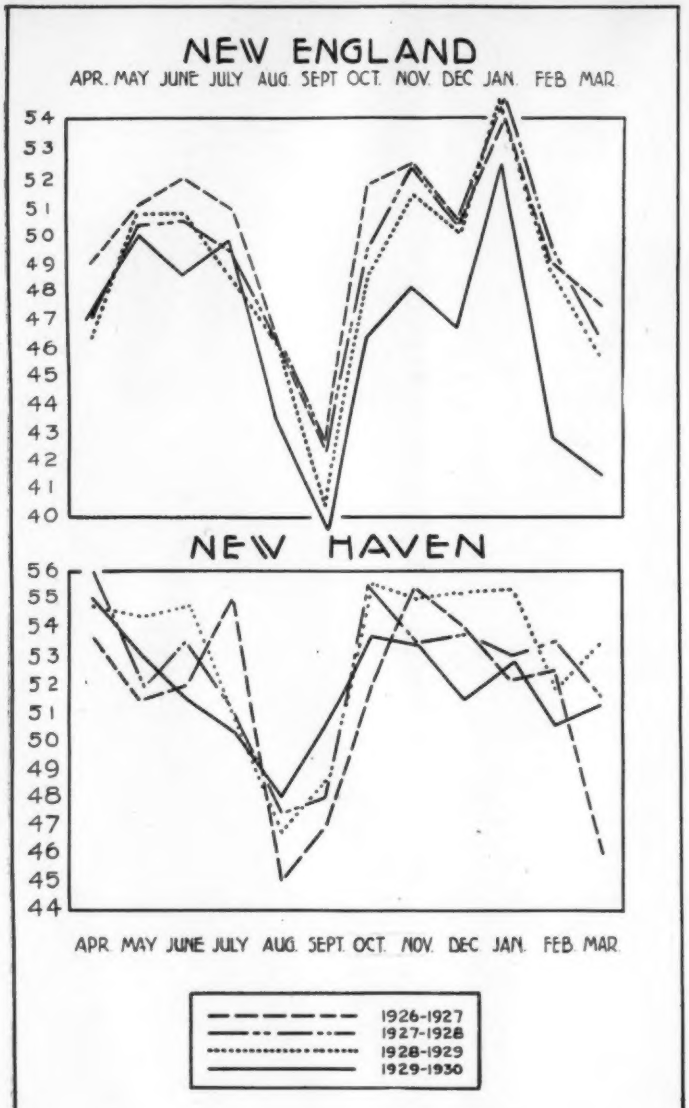
The Credit Picture for 1930, Now Complete

In the January issue of THE CREDIT WORLD the first six months of 1930 was charted. Many expressed surprise that credit in both the open charge and installment divisions was ahead of 1929, while business generally was sadly in arrears. It was stated at that time by those who persist always in expecting the worst that the last six months of the year would tell a different story, but it did not. Both open charge and installment credit over the whole year was ahead of 1929. "Open charge" started behind in January but by February it had caught 1929 and went ahead to hold a very considerable lead up to August. Through August it had a struggle, gaining more ground in September, but took a nose-dive in the middle of October, and was below 1929 as the year closed. Installment credit was even more successful than open charge.

It was natural to expect an increase which would have been greater in a good year. The trend for some time has been sending credit volume higher and higher in proportion to cash, and as pointed out in the April CREDIT WORLD, if it continues at the same rate of increase for the next four years as it has in the last four, it will then reach 60 per cent of the total retail business transacted annually. Ten years ago it was only 20 per cent of the total. This, of course, would be all right if collections were keeping pace, but unfortunately they are showing a reverse condition. They have decreased almost 10 per cent in the last four years, and as you will notice in the chart on the opposite page, they were very sadly in arrears during 1930 in both open charge and installment. The connection, in our opinion, does not lie in curtailment or higher credit but in education. A good credit customer today is not a good credit customer by the standards of ten years ago. The average delinquency two years ago was 72 days, but this has since increased close to 90 days. To further impress upon the credit users the full extent of their responsibility and obligation is by all means the most urgent task of credit granters today. Advertising will greatly benefit the credit merchant. It has proven profitable in the past when the condition was less acute. It should be more profitable now.



The volume of retail business charted here refers only to the amount that was surveyed.



The chart to the left compares the collection percentage curves for four years for New England and New Haven.

Is Expansion of the Deferred Payment Principle Effecting Collections on Open Accounts?

By LEO SYKES

The Prevailing Opinion May Be Yes

I HAVE asked many people this question and have received similar replies. It is my belief, however, that this is *not* a reflection of actual conditions, and so I attempted to find out why this opinion should be held. I have reached the conclusion that their thoughts have been influenced by the tremendous advertising campaigns which are being conducted by the large organizations which market automobiles, radios, electric refrigerators, oil burners, vacuum cleaners, etc., and so on, and the numerous representatives of these companies who are calling from house to house in their endeavor to market these commodities. Some of these representatives are using much so-called high-pressure salesmanship. The constant repetition of "Terms to fit every purse," "Enjoy today and pay tomorrow," "Pay out of your budget," "Take a year to pay" and other nationally advertised slogans has created in the mind of the average person the impression that purchases made so conveniently must necessarily influence the collection of open accounts.

There are other items to consider, at the present time, which might affect collections. The stock market upheaval created an entirely different situation than we have experienced in many years, due to the fact that more people were buying and selling. Not only were wealthy people "playing the market" but people of less moderate means were using their lifetime savings to "take a plunge." Those who took their profits on the rising market increased their capital, but the majority, who stayed in and were caught by the falling prices, had to use their surplus to meet margin payments. These new obligations placed the individuals in a more difficult position financially and as a re-

sult, the collection of retail accounts suffered. This condition was prophesied in the paper which was read by the New Haven representative at the Hartford conference last year.

The present unemployment condition, which is general throughout the country has curtailed the customer's income and those accounts, to which merchandise was charged before this condition occurred, are now going slow and delinquent. Statistics for New Haven territory show that this condition began as far back as April, 1929. Prior to that time employment worries were not thought of. Factories were producing at their maximum capacity, the railroads were hauling the freight to the jobbers and retailers and a spirit of prosperity prevailed. The prices of stocks were steadily climbing and everyone thought they would get rich. And when curtailment in production started, which caused reduction in the number of employees working and hours worked, nobody seemed to care, even if they did stop to notice. Everybody was happy. But when October came, grief appeared on the horizon. The bottom fell out of the market and the little fellows were left "holding the bag." These, no doubt, were people who were being affected by employment also, and the situation looked very bad. From an outlook of eternal prosperity to one of utter despair was a most discomforting situation. Those who suffered losses were faced with the prospect of starting all over again and with no work in view, the new outlook was discouraging. The employment trend since then has continued downward. To what actual extent these two causes have slowed up collections, I am unable to say as there are no figures or statistics compiled which can be presented, to prove the exact decrease. That these two conditions have existed is very clear to all of us, not only here in New England, but throughout the country as well. These two reasons are, in my opinion, the real causes of any decrease in collections.

There are perhaps those who believe that the deferred payments by their customers for purchases made do affect collections on open accounts. I charted figures for four years, beginning with April of each year and ending with March. The years were charted separately for comparison, as were all New England department store percentages and New Haven department store percentages. The percentage curves of New England for the three years, 1926, 1927 and 1928 run very close together, showing that the collections by months did not vary to any great extend during these thirty-six months. But the curve for 1929-1930 shows a different picture. From April to July the curve holds very closely to those of the three other years, but beginning with August, 1929, the decrease was so sharp that from then to the present the curve has remained considerably lower than the three other years. And at no point in that period has the most recent curve touched the curves of the other three years. The peaks and valleys of the entire chart show a marked similarity, indicating that outside conditions remained the same. For all four years the best collection months have been January and June, while the poor months have been September and March. Some other reason or reasons must have entered into the picture to send the curve below the level on which it had been moving. Was it the stock market crash? Was it unemployment? Was it tariff conditions? Was it due to the expansion of the deferred payment principle? We cannot say for a certainty which if any of these conditions entered into the decline of open account collections, because we can obtain no figures which will prove our contentions. But, by studying these curves, it seems that the stock market crush and unemployment were the main factors in the decline. It is true that other factors may also have been present but the period in which the decline took place proves to me that these were the causes. The sharp decrease began soon after the unemployment period started and has pulled away even more since October, the month of the stock market crash. This condition has prevailed right through the month of March, 1930, the last month for which we have percentages, and this month is very much below the average of March for the three previous years.

Let us now turn to the figures for the city of New Haven. We in New Haven are proud to see New Haven's department stores leading New England nearly every month in the percentage of open accounts collected. With the New England chart in mind, I talked with the credit managers of the New Haven department stores to ascertain why New Haven continued to have such high percentages when New England as a whole showed percentages much less. They told me that their collections were not being affected to any noticeable extent. This did not seem logical in view of what I had already determined, so I prepared another chart for New Haven alone, on the same scale as the one for New England, and found that their statements were true. The curves of the four years follow each other closely and the most recent period of five to eight months shows no great variation from the same period of the three previous years. In fact, in some recent months, the percentage of collections was higher than in the same months of previous years.

The peak and valley months for New Haven differ from those of New England and there is not the same smoothness to the individual curves as there is to the sectional ones. The same general swing seems to prevail but there are several instances where the month to month trend differs. For instance, while the March percentage for New England continued on the downward path, in keeping with the curves of the three previous years, the New Haven percentage for the same month increased. These instances may be explained as being due to conditions peculiar to New Haven which are not prevalent in New England, as a whole.

The unemployment situation and the stock market crash did and still affects collections and the New Haven credit managers readily admit that this is true. But it is generally believed that the expansion of the deferred payment principle has little, if anything, to do with collection decreases.

Let us go back ten years or more when the automobile and piano were being introduced on the deferred payment plan. These were big factors which entered into our collection worries, and for a time gave us much concern. Yet, now we can see no affect that was created at all. In the years that followed many other articles were presented to the buying public on the deferred payment plan and no doubt in the years to come this expansion will be pushed even more. But with this expansion other things are also changing. The people who buy are being educated to budget their incomes so that they may know where their finances are going. When they contract for an electric refrigerator or a vacuum cleaner, they apportion a certain amount each month to take care of the payments. And they also budget for clothing, food, rent, etc. "Pay Your Bills" campaigns are also bringing to their attention the necessity of prompt payments and the knowledge of the service rendered to the merchants by the credit bureaus keeps the debtors in line so that credit accommodations will not be closed against them.

In my opinion, the expansion of the deferred payment principle is counteracted by this education of the debtors. The advertising of the large corporations of the country appears in all the magazines, newspapers, etc., also on billboards and elsewhere. Other cities have successful "Pay Your Bills Promptly" campaigns and other cities have advertising denoting the membership of their businesses in the Credit Bureaus. Why then are New Haven's department stores generally leading the rest of New England in the collection of open accounts outstanding?

The whole question reverts back to the stores themselves, and to be more specific, to the individual credit manager. After a careful study of the question, I have come to the conclusion that he is the one who is responsible for any change affecting collections of open accounts and this opinion prevails in New Haven among the stores who have open charges on their books. The credit manager must be keenly alive to local economic conditions affecting his business as well as national conditions affecting business as a whole. Local unemployment figures are compiled by the Chamber of Commerce or some trade organization and these are readily available to the credit manager. The rising trend of stock market prices prior to October was destined to reverse its course and numerous articles by leading economists and forecasting services were also available to the credit managers. The knowledge of these possible future happenings prepares the credit manager for them and allows him to plan accordingly. Such knowledge on the part of the credit manager is necessary for the efficient maintenance of the credit department.

The expansion of the deferred payment principle has not come upon us suddenly, like the other two, but has been built over a number of years. This condition is not a new one to the credit manager and the knowledge that it does exist should keep him constantly on the alert to combat any change in collection percentages due to this expansion. How can he combat this situation? Principally, by checking his applications closely. When the account is being opened the credit manager has the opportunity of finding out whether or not his collection percentages may be affected by this customer. The application form should be complete enough, when filled out, to give the credit manager an idea of the applicant's ability to pay. The name should then be forwarded to the Credit Bureau to check the applicant's statements, as well as to procure the individual's paying habits. With this knowledge the application is ready to be accepted or rejected. But this does not end the transaction. If the account is opened, the education of the customer should begin before purchases are made, for the credit manager should carefully explain the terms of payment at that time. In case of an habitual deferred payment buyer opening an account, providing credit reports indicate that the applicant is worthy, a strict payment policy should be adhered to. This class of customer must be made to feel that dealings are now being conducted on a different basis, for if this is not done, the account reverts into an installment account and affects the collection percentages. There may be individual cases where interest charges should be added on slow open account or if economic conditions interfere, the balance of the account might be placed on an installment basis to speed up collections, but the real remedy is with the credit manager and his ability to start the account off on the right foot.

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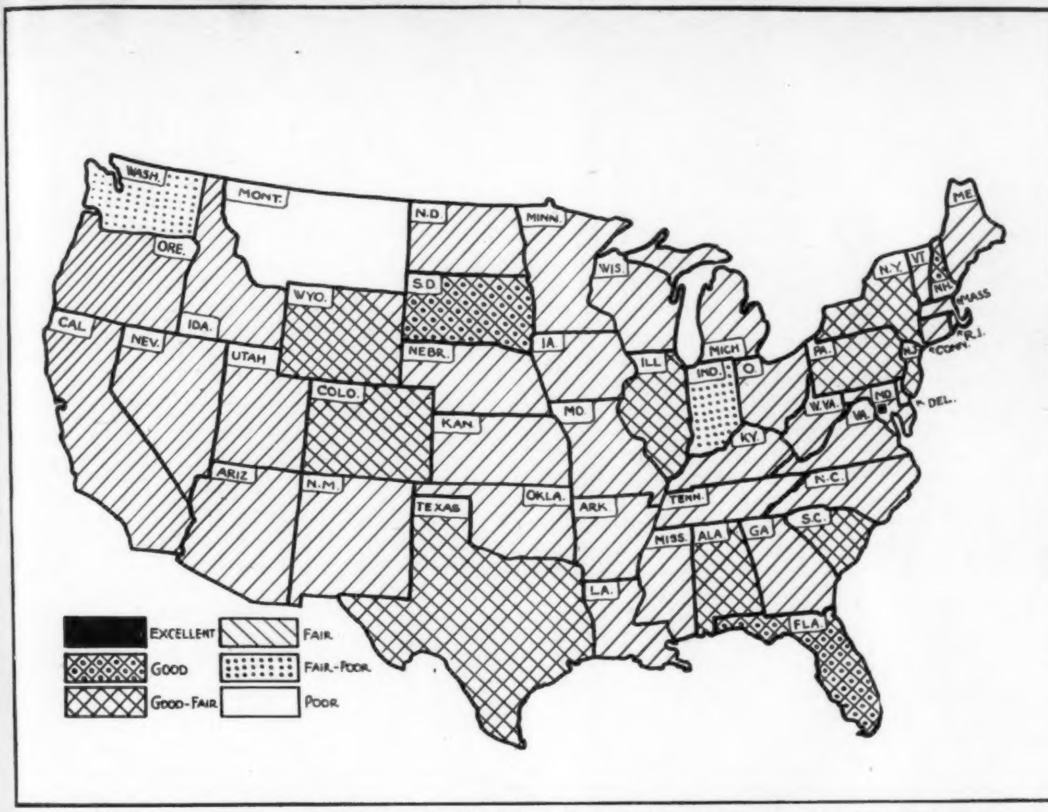
Report on Questionnaires Received from Various Credit Bureaus Commenting on Sales and Collection.

Every state in the Union has contributed to give their respective results on sales and collection during the first months of this year.

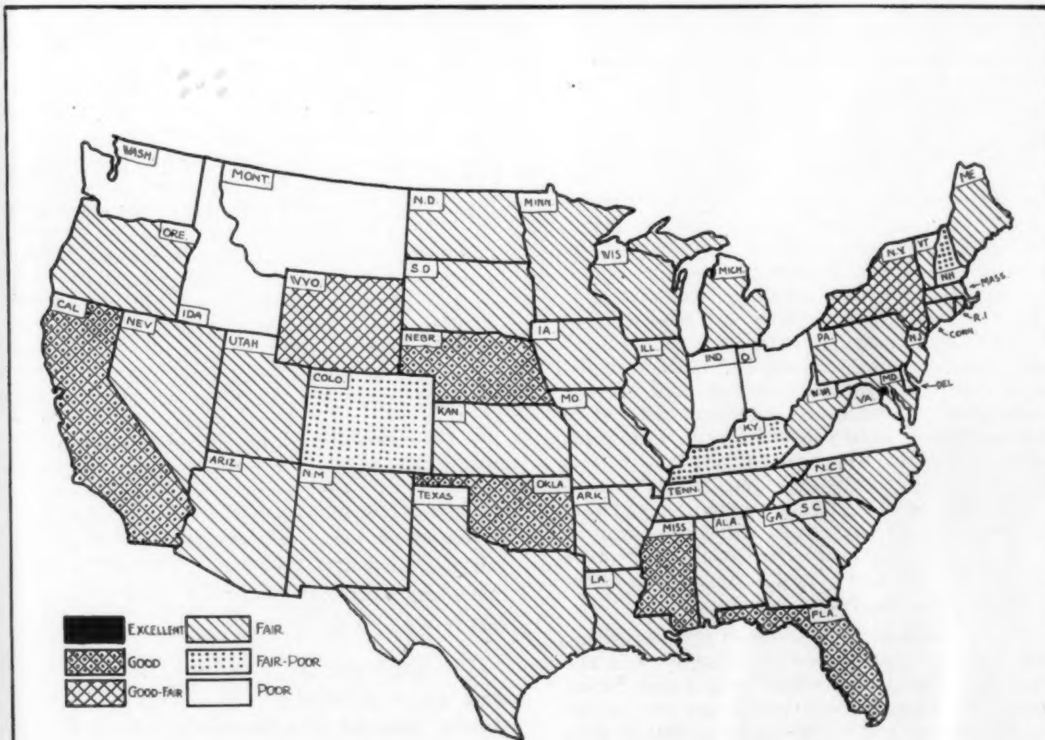
Only a few isolated spots indicated that conditions were poor; the majority revealed that fair prevailed and this was improved in those instances where extra selling and collection efforts were in practice.

The particular credit bureau chosen in each state was so selected for its average conditions, thereby assuring that the results would not reflect either an unfair or exaggerated situation.

The accompanying map permits a national viewpoint on this problem of the moment.



N. R. C. A. Survey of Current Credit Sales, Reported by Representative Local Bureaus



N. R. C. A. Survey of Current Collections, Reported by Representative Local Bureaus

Contributed Monthly by R. Preston Shealey, Special Washington Representative of the National Retail Credit Association

WASHINGTON BULLETIN

For APRIL Nineteen thirty-one

Foreword

The Seventy-first Congress was a billion dollar Congress all right but outside of spending, nothing much of importance was done.

Motor bus control, railroad consolidation, Federal wireless communications board, Muscle Shoals, railroad holding sompanies under the control of the Interstate Commerce Commission, revision of the copyright laws, and a host of other measures all fell by the wayside. Those just specifically enumerated, however, are almost certain to come up again and probably be disposed of in the Seventy-second Congress.

Departmental

(a) On October 5th the fourth Pan-American Commercial conference will be held in Washington, Congress recently having appropriated $15,000 for it. It is expected that there will be commercial leaders present from all of the twenty-one American Republics and many important developments in a business way should result from this conference. Transportation of mail, merchandise, and passengers will be one of the subjects considered and in some respects will be the most important one. At the present time there are nineteen plane operating companies with nearly thirty thousand miles of air routes in Latin America.

(b) The oil situation generally is a live topic in Washington, notwithstanding the adjournment of Congress. It is expected that in the early part of April a conference with administration officials and having present six or seven governors will be held in Washington to consider over-production of oil. It frequently happens that sound liquidation or extension agreements recommended by committees of creditors are blocked by a few creditors standing out for trying to sand bag the others into getting payment of their claims in full or immediate payment. The parallel in the oil situation is said to be in the refusal of many of the so-called independent small operators to abide by the rulings of the State Proration Committee and who drill for oil and sell the same regardless of the restrictions.

(c) Attention was called in this column some months ago to the law providing for patents on plants which became effective on May 23, 1930; this being the first act of the kind in the world. Already about thirty to thirty-five applications for patents under the act have been received by the patent office. In view of the many difficulties which have already been encountered it is apparent that the final working out of the law will be largely the result of court decisions. For instance, most of us consider Irish and sweet potatoes to be brothers or sisters but it is said that Irish potatoes are tubers and tubers being excluded from the operation of the act new varieties cannot be patented. On the other hand, according to botanists, sweet potatoes are roots and therefore patentable. One such question is whether such botanical classifications will be accepted and adopted by the courts.

(d) In pursuance of House Resolution 391 adopted by the House of Representatives in the closing days of Congress, the United States Tariff Commission has already commenced work on investigating oil importations and their costs. The Commission made a limited report to the recent session as to certain aspects of importations from Venezuela but the present survey will cover practically the entire world and will be much more comprehensive.

(e) Announcement has been made of the results of four more investigations by the Tariff Commission. As a result the President has approved reductions in rates in two investigations, wool-felt hats and hat bodies and edible gelatin, and an increase in certain wires used in connection with paper and paper machines. The fourth investigation, made in compliance with the Senate resolution of July 3, 1930, was directed to smoker's articles, the principal of

which was briarwood pipes, but the Commisison recommended no change.

(f) Announcement has been made of the allocation of funds under the Federal Building program as authorized and appropriated in the acts of May 25, 1926; February 24, 1928; March 31, 1930; and February 16, 1931; outside of the District of Columbia, are as follows: Alabama, $2,565,000; Arizona, $3,355,000; California, $16,302,500; Colorado, $2,135,000; Connecticut, $5,235,000; Delaware, $249,500; Florida, $7,465,000; Georgia, $5,515,000; Idaho, $990,000; Illinois, $31,750,000; Indiana, $5,850,000; Iowa, $5,165,000; Kansas, $2,872,000; Kentucky, $5,398,000; Louisiana, $4,400,000; Maine, $1,198,600; Maryland, $6,810,000; Massachusetts, $14,715,000; Michigan, $11,155,000; Minnesota, $9,608,000; Mississippi, $2,247,876; Missouri, $9,670,000; Montana, $1,609,000; Nebraska, $720,000; Nevada, $1,120,000; New Hampshire, $1,075,000; New Jersey, $7,355,000; New Mexico, $1,540,000; New York, $59,453,400; North Carolina, $6,830,000; North Dakota, $1,082,200; Ohio, $18,870,000; Oklahoma, $4,390,000; Oregon, $3,120,000; Pennsylvania, $32,352,000; Rhode Island, $935,000; South Carolina, $930,000; South Dakota, $820,000; Tennessee, $7,030,000; Texas, $12,021,000; Utah, $2,476,000; Vermont, $1,324,600; Virginia, $7,720,000; Washington, $3,588,000; West Virginia, $1,925,000; Wisconsin, $5,005,000; Wyoming, $915,000; Alaska, $460,000; Hawaii, $815,000; Porto Rico, $300,000.

Court Decisions

(a) Applications for automobile fire insurance policies must correctly describe the age of the vehicle or the policy will be invalid according to a recent decision of the Supreme Court of Montana in the case of Weyh et al v. California Insurance Company. It appeared that the car upon which the insurance was issued was represented as a new 1927 Model whereas it was actually a previous year but which had been repainted and with the speedometer set back. The Court found that while the party insured was innocent of any misrepresentation in the matter, the correct age of the car had not been given and therefore ruled in favor of the insurance company.

(b) A recent and important court decision, the complete text of which is not as yet available, is that of Gladys Belle Oil Company v. Clarke et al, Oklahoma Supreme Court, No. 19502, as of February 17, 1931. In this case an unsigned letter was sent to the addressee but not in terms sufficient to indicate to whom the addressee was stated to be indebted. It has been ruled that when an account has been received by a debtor and not disputed within a reasonable time it becomes an account stated. The Supreme Court of Oklahoma, however, seems to feel that sufficient accuracy must prevail as to the dispatch of receipts of such accounts before they can become accounts stated.

(c) Comment was recently made in this article on the recent decision by the Supreme Court of the District of Columbia modifying the so-called Packers Consent Decree permitting the Packers to wholesale food products. Senator Brock of Tennessee, after the adjournment of Congress, in a public release stated that legislation would be sought in the next Congress to overcome effects of this decree.

(d) The Supreme Court of the United States heard oral arguments on an important phase of the bankruptcy act on March 13th. The question argued is whether a note which has not matured at the date of adjudication but which has on it the bankrupt as an endorser is a provable claim against the latter's estate. This question had been passed on by rulings from five (5) United States Circuit Courts of Appeal, the Circuit Court of Appeal in the instant case holding that such notes were not provable under section 63 (A-4) of the bankruptcy act but came under the clause barring certain classes of contingent liabilities not provable in bankruptcy. It appeared from the argument in the case that in the bankruptcy acts of 1841 and 1867 such obligations were made provable.

(e) The Boulder Dam case involving the constitutionality of the Boulder Canyon project was argued before the Supreme Court on March 9th. The States of California, Colorado, Nevada, New Mexico, Utah, and Wyoming signed the compact pre-requisite to construction. The State of Arizona declined to sign and is attacking the constitutionality of the act. Construction of the project is proceeding notwithstanding the suit and on March 11th the Secretary of the Interior let a contract to the Six Companies, Incorporated, of California, in a sum approximating fifty million dollars; said to be the largest single Government contract ever awarded.

(f) On March 5th the United States Supreme Court heard arguments on the constitutionality of the Indiana chain store case and now has on its docket a decision based upon a similar case coming up from the State of North Carolina.

(g) Approximately twenty of our States already have State income tax laws in operation and the Legislatures of a number of others now in session are considering such laws. A number of difficulties have arisen as a result of the operation of State income tax laws. Some of these difficulties are now coming before the courts. The Supreme Court of the United States on March 18th heard arguments on Hans Rees Sons, Inc., v. State of North Carolina, this case being based upon the income tax law of that State, which the Supreme Court of North Carolina on June 16, 1930, held to be constitutional. The appellants in this case, a New York corporation, but also doing business in the State of North Carolina, contends that the North Carolina State income tax law has been so construed as to tax 80 per cent of its income while only 17 per cent of its income had its source in North Carolina. The difficulty of apportioning the income of a corporation doing business in a number of different states is said be one of the main difficulties confronting legislative bodies framing such State law and the decision in this case is being looked forward to with great interest.

Does the Growing Tendency to Be More Liberal in Granting Credit on Open Accounts Engender a Further Tendency to Cheapen Credit

By
CHARLES F. SHELDON

THERE are so many ramifications to this question that to answer it from any one of a dozen points would be foolhardy. We are unquestionably experiencing a great lack of respect for both open account and installment terms. Whether or not this is due to liberal terms is certainly debatable but in my opinion liberal terms in themselves have only a small part to play with this disrespect for credit accommodation; certain practices, however, associated with liberal terms, in an endeavor to create the volume necessary for the large amount of business transacted today is, no doubt, responsible for it.

Our present volume of business which is necessary to keep us all clothed, fed and happy, could not be done based on the standard of thirty years ago. All business has been speeded up. The manufacturer has increased his production, so also the wholesaler and the retailer and it has all been accomplished by—CREDIT.

If we desire to prove that liberal credit granting is unsound and unprofitable the liberalists will come forward showing they are making as much if not more net profit than the conservative houses. The answer to all our objections to liberal credit will be answered by balance sheets that seem almost fantastic. If we point out that forced selling is not sound the thought will soon come to mind that without forced selling our manufacturers would soon be closed down, or be compelled to curtail production.

Liberal credit is just another medium for breaking down sales resistance. It has experienced a gradual development, sponsored by the merchandise department in an endeavor to move the goods on their shelves and receive the proper stock turnover. Many times, this has been done over the severe criticism of the credit manager and many times due to his failure to exert proper influence it has not been kept within due bounds. When we speak of liberal credit, we, of course, really mean liberal terms. If there is an evil existing in this process of distribution it is in the competition of terms on down payments, on installment accounts and lack of proper understanding on open accounts when the account is first opened. Selling terms not merchandise is one of the factors in the lessening of respect for the credit manager's problems. But, after all, this is not the only factor that is increasing the worried look on the credit manager's face. Oh, no, they are many and legion. Many of them have been brought about because of a great hesitance on the part of those who have and are occupying the position of credit manager to insist that proper safeguards be placed around this new plan. If we have no respect for the terms we are dealing out how may we expect our customers to have it. We change our terms at will, therefore, plant in the mind of the customer the seed that terms are elastic. Now if we do not offer some kind of an inducement, the merchandise manager will say, our customers will buy across the street and not come to our store—and in this discussion we are not even minutely considering the borax houses. We are primarily concerned with the legitimate business of retailing. If liberal credit is an inducement to increase volume and is sound we should be the first to promote it.

You can readily see that to confine our efforts to disproving the value of liberal credits will soon place us in a very embarrassing position, facing an army of facts that may eliminate any army of theory that we may put in the field, and houses based on conservative credits will come forward with an equal amount of proof for their policy.

There is a lack of respect for credit terms and it seems to be increasing every day. Personal bankruptcies are on the increase, last week in Providence a clerk went into bankruptcy with liabilities of $1400 and no assets. What right did he have to receive the protection of the bankruptcy court? The death knoll of old fashioned methods of granting credit has been sounded. Suppose we consider that the lack of respect of credit terms may be due to the following reasons but in so stating, we must bear in mind that these, too, have their place and we are not condemning them in their entirety.

First: The borax method of selling. That system whereby you go in to purchase an alarm clock and come out with the bedroom all refurnished and without the alarm clock. The only think brought out is an ache in the heart when thinking of facing the pay envelope.

Second: Permitting the customer to open an account without clearly understanding terms of payment.

Third: Fur sales—Buy in August, pay in November. Remember we are not belittling the value of collections when they increase in November if properly tied up with Christmas nor the volume of business created. We cannot, however, expect that our customer can be told that they may take two to three months or longer at certain periods without implanting the seed that if they could get away with it once they could do it again. With your permission or without it. The fact that you have various terms cannot help but increase the confusion in the mind of the customer concerning your sincerity about paying within thirty days or according to terms.

Fourth: Christmas terms—Buy in November, pay in January. This is no doubt a wonderful sales booster, but can it but help to confuse the charge customer as to the necessity of paying promptly.

Fifth: Placing of open accounts on the installment basis without charging interest. It may keep the customer happy but at best is a very questionable practice and surely creates a disrespect for terms.

Sixth: Our willingness to sell any and all bankrupts the day after they receive their discharges.

Seventh: All threats and other practices that we never carry out.

In other words, we face today a strange mixture of chaos, that is the composite of all that has gone before and with abundant proof on all points ready to refute any statements made. All of these minor reasons lead up to one major problem—the selling of more merchandise, which seems to mean the overselling of the customer but, and that brings us, I believe, to our solution with the proper control of the customer's purchases and pay habits. When this subject is, at first, approached it looks insurmountable. Old wags shake their heads in dire calamity and yet it is as simple as A B C in principle and only needs the proper co-ordination between two already existing factors. Credit grantors in their desire to improve their own positions and prove their value to handle their job alone may have unconsciously overlooked a great bet, and that is, the closer contact with their superiors in the operating of the credit departmnet as it relates to the Credit Bureau. For years now we have been spending thousands of dollars building up our files and yet are not reaping one-half the benefit we should from the ownership of our bureaus. It is true that we inquire on new accounts, but unless the applicant is a thief, degenerate and beyond redemption we load him up with sales—notice we do not say *purchases*. Previous to the crises in October, to turn down a customer was the unpardonable sin. Who said it was credit granting today? There is very little credit granting—it is better called credit grabbing. We are now going through a great era of credit grabbing. However, we need this liberal credit and will continue to have it, but this does not necessarily mean we must all lose our heads to obtain customers without properly safeguarding them.

The solution, I believe, remains in the proper understanding of the inhabitants in every community that to obtain this liberal credit they must have the right intentions in their hearts and live up to them. A more uniform credit policy among all the stores as to what are uniform terms. The great American puzzle today is, When are credit terms, credit terms? Nobody knows yet. A coal salesman approached me the other day and inquired where I purchased my coal. I replied that I burnt coke and he said he would be glad to supply me coke, too, at the same price as the local gas company and in addition, as an inducement to buy from him, he could give me ninety days, as they did not expect their customers to pay any prompter. Do you think that is helping to create a respect for terms. Hardly. I repeat the store owners are not familiar enough with the possibilities and problems of the credit department as it relates to the Credit Bureau. If they were we might come to the solution quicker.

The real solution for a real respect for credit lies in the fact that the knowledge that to spoil one's credit is to spoil all privileges of a credit account in the community. This means a credit community policy and this means the further activity of your Credit Bureau. The next point of development of the bureau depends on the backing it receives from the store owners or executives with the co-operation of the credit managers, of course.

The credit manager—and with all due respect to him, whether he like it or not—in most instances, has not the authority to take this step alone. He must have the support of his superior as it means the changing of the policy of many of the stores and this can come about only after much work, convincing arguments and proof as to its correctness to those who control these policies.

Do you suppose we would have as many bankruptcies if the bankrupt knew he could not receive further credit until his old obligations were paid? Never mind the fact that the law voids his legal obligations, it doesn't his moral obligations. The credit managers do that.

Do you think that the customer would be so apt to buy beyond his means if he knew for a fact that he was spoiling his credit record and chances to obtain further credit? Tell him that today and what will he reply? Well—somebody will sell me. But let it be known that the community is together in keeping him straight, he will stay straight. As liberal credit increases a community credit policy will be forced upon us. Why wait until WE MUST do something? Why not start now to build a foundation for real community planning in credit? For this purpose and so as to offer a suggestion for this work the following recommendations are being, in great hesitance, offered for your consideration.

First: That during this year a great effort should be made to acquaint the store executives of our members and non-members as to the necessity of giving the credit manager more consideration in his credit problems when confronted with the merchandise manager's 72 horsepower sales policy.

Second: That each community begin at once to form a community credit policy committee based on co-operative collection bureaus in conjunction with their local credit bureaus and also educational advertising in the newspapers or other mediums as a consistent policy of the bureau and not as a spectacular sky-rocket that soon flares up and out.

Third: That the bureau managers and credit managers forget the past and be reborn to the future.

Fourth: That the credit managers use the bureau more and give it more daily service to the end that it can better serve when it is best served.

Fifth: That credit managers use the information they obtain according to their own good judgment and not change their decisions every time the sales pressure becomes too great.

Statement of the Ownership, Management, Circulation, Etc., Required by the Act of Congress of August 24, 1912.

Of CREDIT WORLD, published monthly at St. Louis, Missouri, for April 1, 1931.

State of Missouri, }
City of St. Louis. } ss.

Before me, a Notary Public in and for the State and county aforesaid, personally appeared Frank C. Hamilton, who, having been duly sworn according to law, deposes and says that he is the editor of the CREDIT WORLD, and that the following is, to the best of his knowledge and belief, a true statement of the ownership, management (and if a daily paper, the circulation), etc., of the aforesaid publication for the date shown in the above caption, required by the Act of August 24, 1912, embodied in section 411, Postal Laws and Regulations, printed on the reverse of this form, to wit:

1. That the names and addresses of the publisher, editor, managing editor, and business managers are:

Publisher, National Retail Credit Association .... St. Louis, Mo.
Editor, Frank C. Hamilton .... St. Louis, Mo.
Managing Editor, Elmer A. Uffman .... St. Louis, Mo.

2. That the owner is: National Retail Credit Association, 1218 Olive St., St. Louis, Mo.; A. D. McMullen, President, City National Bank Building, Oklahoma City, Okla.; D. J. Woodlock, Manager-Treasurer, 1218 Olive St., St. Louis, Mo.; G. H. Hulse, Secretary, 1218 Olive St., St. Louis, Mo.

3. That the known bondholders, mortgagees, and other security holders owning or holding 1 per cent or more of total amount of bonds, mortgages, or other securities are: None—Mutual Non-Profit Organization.

4. That the two paragraphs next above, giving the names of the owners, stockholders, and security holders, if any, contain not only the list of stockholders and security holders as they appear upon the books of the company but also, in cases where the stockholder or security holder appears upon the books of the company as trustee or in any other fiduciary relation, the name of the person or corporation for whom such trustee is acting, is given; also that the said two paragraphs contain statements embracing affiant's full knowledge and belief as to the circumstances and conditions under which stockholders and security holders who do not appear upon the books of the company as trustees, hold stock and securities in a capacity other than of a bona fide owner; and this affiant has no reason to believe that any other person, association, or corporation has any interest direct or indirect in the said stock, bonds, or other securities than as so stated by him.

FRANK C. HAMILTON.

Sworn to and subscribed before me this 25th day of March, 1931.
MARY E. RIORDAN.

(My commission expires February 6, 1934.)

Official Notice to All Members of the National Retail Credit Association

In compliance with the by-laws of the National Retail Credit Association, all members are hereby officially notified that the annual convention of this Association will be held in the city of St. Louis, Mo., on June 16-19, 1931.

The terms of the following officers and directors expire, and their successors will be elected on the third day of the convention:

President, A. D. McMullen, Oklahoma City, Okla.; First Vice-President, Frank Batty, San Francisco, Calif.; Second Vice-President, A. P. Lovett, Kansas City, Mo.

Directors—O. O. Berry, Knoxville, Tenn.; W. B. Brinkman, Duluth, Minn.; Max Meyer, Lincoln, Neb.; J. Gordon Ross, Rochester, N. Y.; R. E. Westberg, Seattle, Wash.; J. H. Edgerton, New York, director by virtue of being past president; C. M. Reed, Denver, director by virtue of being chairman, Service Department Committee; F. E. Parker, Detroit, director by election of Board of Directors to fill unexpired term of E. B. Schick, resigned.

Every member in good standing is entitled to vote, either in person or by proxy.

All proxies must be deposited with Credentials Committee on first day of convention.

Proxies can only be given to a member in your own or an adjoining state. No salaried officer can hold a proxy.

A Nominating Committee will be appointed by the President on opening day of the convention and any member may appear before this committee and present endorsement of candidates.

Delegates elected by organized local associations may vote the entire membership of such locals, upon presenting to Credentials Committee their authorization, signed by officers of the local.

D. J. WOODLOCK,
Manager-Treasurer.

G. H. HULSE,
Secretary.